JOREX
LIMITED

1972

ANNUAL REPORT

JOREX LIMITED
(INCORPORATED UNDER THE LAWS OF ONTARIO)

HEAD OFFICE:
Suite 600, 85 Richmond Street West
Toronto, Ontario

DIRECTORS:

J. C. BYRNE, Toronto, Ontario

M. P. CONNELL, Toronto, Ontario

W. P. HAMMOND, Toronto, Ontario

S. E. JAMIESON, Toronto, Ontario

J. J. RANKIN, Toronto, Ontario

R. L. SEGSWORTH, Toronto, Ontario

B. G. WILLIS, Toronto, Ontario

OFFICERS:

J. J. RANKIN, *President*
Toronto, Ontario

R. L. SEGSWORTH, *Vice-President*
Toronto, Ontario

J. S. GRANT, Q.C., *Secretary-Treasurer*
Toronto, Ontario

W. STEUERMAN, C.A.,
Assistant Secretary-Treasurer
Toronto, Ontario

TRANSFER AGENTS AND REGISTRARS:

GUARANTY TRUST COMPANY OF CANADA
Toronto, Ontario — Montreal, Quebec — Vancouver, B.C.

BANKERS:

CANADIAN IMPERIAL BANK OF COMMERCE
Toronto, Ontario

AUDITORS:

CLARKSON, GORDON & CO.
Toronto, Ontario

To the Shareholders:

Your directors are pleased to present the fifth Annual Report of the Company. Included are the financial statements for the year ended December 31, 1972.

Mineral exploration activities approximately on the scale of the previous year, and extending across Canada were continued by Jorex during 1972.

For 1973, major follow-up programs are planned for Ontario, Manitoba, Saskatchewan, British Columbia and the Yukon Territory. Much of this work will be diamond drilling.

Changing political attitudes and ground rules in some parts of Canada may be a prelude to legislation that could affect the resource industries. However, the mining industry is aware of these trends and is taking appropriate action to inform the governments concerned of its position. Even though changes will undoubtedly be made in legislation governing mining exploration, we believe that the importance of the industry to the economy of Canada will in the long term have sufficient influence on governments to ensure that workable rules will be adopted.

The company plans to continue an aggressive exploration policy, as it has in the past.

BRITISH COLUMBIA

On the Liard Fluorite project, field work comprising diamond drilling, bulldozing, geological mapping and prospecting, was carried out during the past summer season. A summary report reviews the results of the program and is included with this Annual Report. The extensive fluorite holdings in the Liard District, B.C., have been transferred to a new company, Liard Fluorspar Mines Ltd., in which your company's ownership is 42.5%.

As the enclosed summary report of the consultant states, an improvement in economic conditions would warrant renewed exploration efforts in the Liard Fluorspar deposits. Your directors concur with this view.

Work this year on the Whitesail project was concentrated north of Nadina Lake, B.C., on a group of some 200 claims held jointly with Dome Exploration (Canada) Limited. Airborne and ground surveys were conducted which have shown strongly anomalous conditions in geophysical and geochemical results over a broad area. Lack of outcrop precludes further interpretation of the results. Diamond drilling is in progress to cross section the underlying rock formations and provide tests of the anomalous conditions.

In the Babine Lake area, B.C., anomalous results from a reconnaissance geochemical survey were followed up by ground geophysical work. Results are being studied to determine further action.

Elsewhere in British Columbia, Devonian strata occurring on a claim group near Redfern Lake, in northeastern B.C., were prospected and mapped. Particularly sought were sulphides of lead and zinc present in these formations elsewhere along the Front Ranges. However, no mineralization of consequence was discovered. These programs were conducted jointly with Dome Exploration (Canada) Limited.

YUKON TERRITORY

In Yukon Territory, a prospecting program employing geochemical methods and bulldozer trenching was completed in the Klondike District. Geological investigation and a reconnaissance geochemical survey was carried out in the Nahanni River area. Cost of the work was shared equally with partners.

MANITOBA

In the Wabowden Area, Manitoba, claim blocks owned by your company were under

option to Amax Potash Limited. The latter company completed geophysical surveys and diamond drilling but terminated its option. No further work is planned.

Magenta Explorations Limited carried out extensive exploration programs in Manitoba and Saskatchewan during the past three years. This work resulted in the discovery of a number of geophysical anomalies. Your company has signed an agreement with Magenta Explorations whereby Jorex will undertake testing of several of the conductors by diamond drilling. Jorex will syndicate the exploration program with two partners and this syndicate could earn an 80% interest in any discovery.

SASKATCHEWAN

The Missi project at Amisk Lake, Saskatchewan, was terminated when negative results were obtained in drill holes put down to test a number of conducting zones indicated by geophysical surveys.

The program to be carried out on the Magenta properties in Saskatchewan involves the diamond drilling of a newly-discovered gold showing as well as the testing of other geophysical anomalies.

ONTARIO

In the Asheweig River area, northwestern Ontario, diamond drilling currently is in progress on the Sourdough project to test a number of conducting zones revealed by an airborne geophysical survey. A syndicate was formed for the project in which Jorex participates to the extent of 25% with Ducanex Resources Limited, also at 25%, and Iso Mines Limited at 50%.

The Boulder Syndicate, to which Imperial Oil Enterprises Ltd., Dome Exploration (Canada) Limited and your company contribute equally, was formed to work in Ontario and Quebec for sampling overburden with drilling equipment and techniques developed for this purpose. Results of orientation surveys completed to date indicate that this method will be a useful exploration tool. Several interesting situations currently are being investigated.

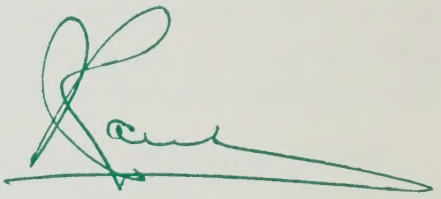
QUEBEC

Exploration in the Eastern Townships of Quebec, conducted jointly with Imperial Oil Enterprises, and Dome Exploration (Canada), was continued but the program has now been terminated.

NEWFOUNDLAND

An airborne geophysical survey was carried out in Newfoundland over properties held under option agreement from Radex Mineral Limited. Your company participated in the syndicate formed for the project equally with Iso Mines, Ducanex Resources and General Crude Oil Company. The program failed to discover mineralization of economic importance.

On behalf of the board,



J. J. RANKIN
President

March 15, 1973.

LIARD FLUORSPAR MINES LTD.

Liard Fluorspar Mines Ltd. owns 305 claims north of Liard Hot Springs, Mile 498 Alaska Highway, British Columbia. These claims cover widespread fluorspar mineralization which occurs in Devonian strata at the contact of the Dunedin limestone and the overlying Besa River shales. The mineralization is on a complex north-south anticlinal structure, especially along faulted and structurally disturbed parts. Throughout most of the mineralized area the strata are gently dipping.

Mineralization occurs as a replacement of limestone breccia and as fracture filling in the adjacent limestone. It also occurs as open space filling in shale breccia. Barium minerals including witherite, barytocalcite, and minor barite accompany the fluorspar mineralization. The limestone breccia and the shale breccia are collapse breccia caused by solution of the limestone along fault structures, etc.

Three exposed centres of mineralization occur along a north-south zone which lies near or along the east side of the anticlinal axis. These centres include the Gem prospects, the Tam deposit, and the Tee deposit (two, eight and twelve miles respectively, north of the Alaska Highway). Another line of deposits, exposed along a cross flexure in the main anticline, extends southwest from the Tam deposit. These include the Camp prospect, the Coral deposit, and the Fire deposit (1000, 4000 and 10,000 feet, respectively, southwest of the Tam deposit), and the Cliff and the Nick prospects (5000 and 7000 feet, respectively, northwest of the Fire deposit).

In 1971 and 1972 access roads were constructed to the prospects, surface trenching was done on some of the prospects, and 7660 feet of diamond drilling were completed in 78 short drill holes.

The fluorspar deposits and prospects are as follows:

Gem E Prospect: This zone has been tested with 15 vertical holes drilled on 200-foot grid spacing. All drill holes which crossed the limestone-shale contact intersected some fluorspar mineralization at that contact. In most drill holes the mineralized zone was less than ten feet thick. Four intersections, however, with greater thicknesses are: 28.5 feet grading 34.3% CaF_2, 43 feet grading 14.7% CaF_2, 49.6 feet grading 39.3% CaF_2, and 46.5 feet grading 38.4% CaF_2. These better intersections are scattered throughout the grid and further drilling is needed to determine their significance.

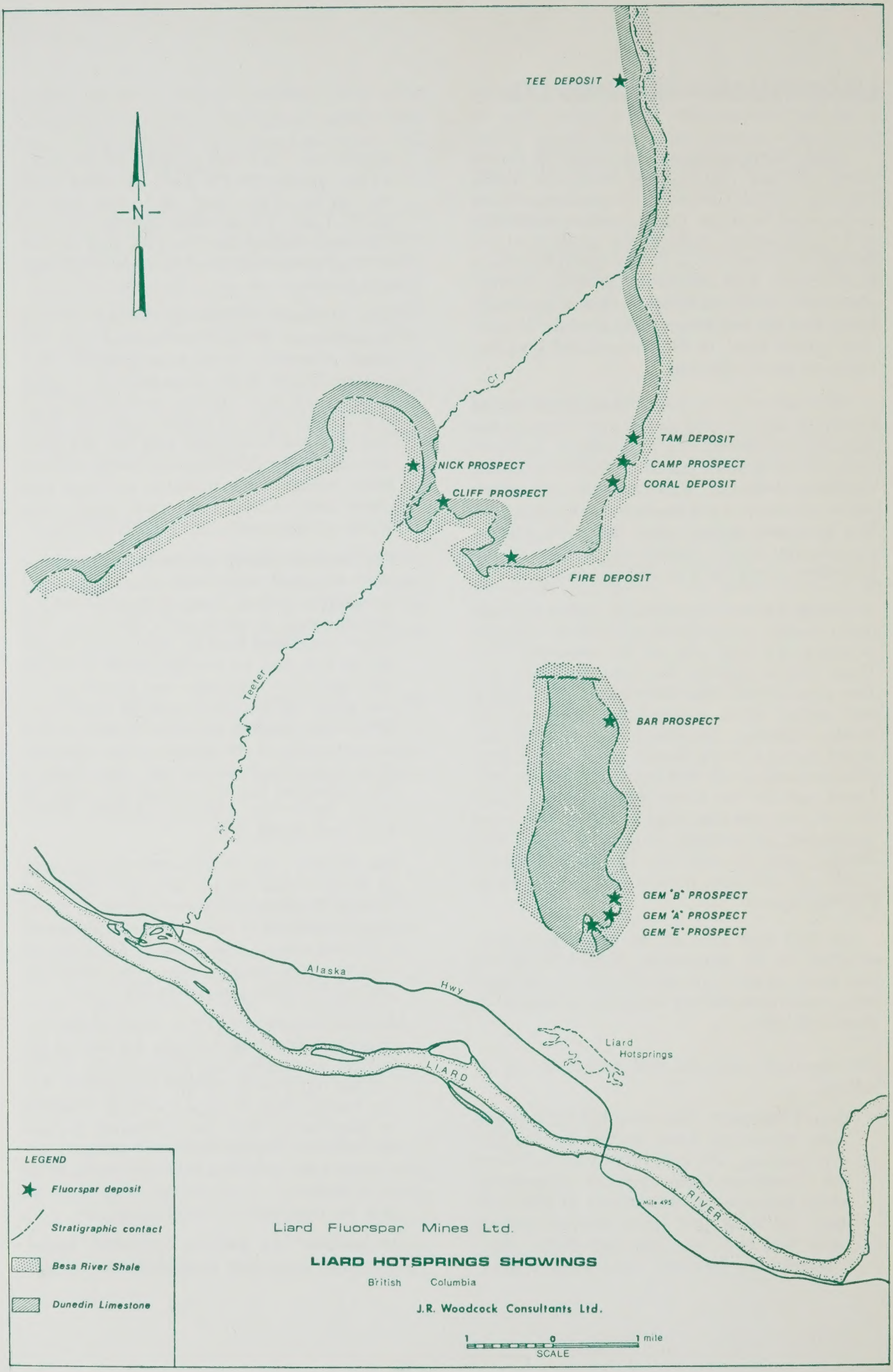
Tam Deposit: Diamond drilling on the southern part of the Tam deposit has indicated a reserve of at least 320,000 tons grading 40.2% CaF_2. This deposit is open on its north end. It may extend under or into a large area of lower grade material. This northern low grade area has not been delimited at its northern end but seven drill holes, which have tested it indicate that about one million tons exist which may grade approximately 20% CaF_2.

Tee Deposit: Three interesting zones have been mapped. None have been properly sampled or drilled. Two of these zones are well exposed on an easterly dip slope. The larger is exposed over an area with a length of 700 feet and an average width of about 200 feet. The thickness and continuity of the zone within this area is unknown. Where the zone is exposed in cliffs at the western end of the showing, its thickness appears to be about 60 feet. The grade is also unknown but two panel chip samples taken from the surface assayed 44.2% CaF_2 and 56.6% CaF_2.

The second zone is exposed over an area of about 50,000 square feet, with observed vertical thicknesses up to 15 feet. A panel chip sample taken from the vertical face of a 15 foot exposure assayed 73.4% CaF_2. A second chip sample from the northeast part of the zone assayed 34.9% CaF_2.

Field examination of these zones at the Tee deposit indicates that it may be one of the highest grade deposits encountered. Work will be required to sample it properly. For the reason that fluorspar is more resistant to weathering than the carbonate gangue makes the reliability of surface samples uncertain and sampling of fresh surfaces in rock trenches or sampling of drill cores will be required to establish grades.

In addition to the two exposed zones, scattered exposures of slightly mineralized


TEE DEPOSIT
N
TAM DEPOSIT
CAMP PROSPECT
CORAL DEPOSIT
NICK PROSPECT
CLIFF PROSPECT
FIRE DEPOSIT
Teeter
BAR PROSPECT
GEM "B" PROSPECT
GEM "A" PROSPECT
GEM "E" PROSPECT
Alaska
Hwy
Liard
Hotsprings
LIARD
RIVER
Mile 495
LEGEND
Fluorspar deposit
Stratigraphic contact
Besa River Shale
Dunedin Limestone
Liard Fluorspar Mines Ltd.
LIARD HOTSPRINGS SHOWINGS
British Columbia
J.R. Woodcock Consultants Ltd.
1 0 1 mile
SCALE

shale breccia occur at the foot of the steep slope over an area of 90,000 square feet. The shale breccia probably is underlain by limestone and since better mineralization commonly is present at or near to a limestone contact this showing is regarded as a good drill target.

Camp Prospect: Bulldozer stripping has indicated a very limited size. Deep glacial till for 1,500 feet eastward from the showing, however, contains fluorspar float.

Coral Prospect: Fluorspar mineralization was encountered in surface trenches and diamond drill holes over an east-west distance of 600 feet, and a north-south distance of 700 feet. The mineralization, exposed at its northern end, follows the limestone-shale contact down the gentle dip southward under the shale capping. The deposit has been tested with 12 drill holes spaced on a 200-foot grid. One north-south line of drill holes in the central part of the grid returned the following intersections: 30 feet grading 35% CaF_2, 70 feet grading 36% CaF_2 and 87 feet grading 39% CaF_2. There has been insufficient drilling to determine the continuity or the extent of this central zone. Holes to the east and to the west of the central zone intersected mineralization which assayed between 14% and 20% CaF_2.

Fire Deposit: At the southeastern end of this zone, fluorspar mineralization is exposed over an area having a length of 800 feet and an average width of 100 feet. Thirteen short drill holes in this section indicate about 160,000 tons with an average grade of 32% CaF_2.

Widely spaced holes also were drilled over a length of 1,300 feet along strike to the northwest. The most northwesterly hole intersected 55 feet grading 41% CaF_2. This intersection, occurring under 70 feet of shale, is 600 feet away from the next drill hole.

Cliff Prospect: Surface mapping and four drill holes indicate that the size is very limited.

Nick Prospect: Fluorspar mineralization occurs in shale breccia around a small isolated knoll of 500-foot diameter. Drilling will be needed to test the underlying shale-limestone contact.

In summary, fluorspar mineralization is widespread at the gently dipping limestone-shale contact. Exploration work has been restricted to the discoveries made along the exposed parts of the surface trace of this contact. The writer believes that the parts of the contacts concealed by overburden or overlain by the shale formation hold good potential for additional discoveries.

The deposits described are flat-lying and exposed at the surface and therefore amenable to open pit extraction.

Metallurgical tests were conducted by Lakefield Research of Canada Ltd. under the direction of A. H. Ross and Associates, Consultants. The laboratory work, done on drill core and bulk samples indicates that an acid grade fluorspar concentrate (97% CaF_2) could be recovered by flotation with reasonable recoveries (about 85.7%).

An economic appraisal by Conwest Exploration Company Limited has indicated that, under present conditions of transportation and prices, the Liard fluorspar deposits are not economic.

The writer concludes that when the economic conditions improve, exploration at the Liard fluorspar deposits should be renewed. There is very good potential for making a considerable increase in the reserves of fluorspar having average grades between 30% and 40% CaF_2.

J. R. Woodcock

J. R. WOODCOCK

North Vancouver, B.C.
March 5, 1973

JOREX LIMITED
(INCORPORATED UNDER THE LAWS OF ONTARIO)

BALANCE SHEET

ASSETS

	December 31 1972	1971
Current:		
Cash in bank	$ 40,565	$ 33,943
Bank deposit receipts	855,000	250,000
Accounts receivable and accrued interest	51,861	65,032
Total current assets	947,426	348,975
Other:		
Deposit	825	825
Deferred exploration and development expense (note 1)	211,830	230,201
Investment in other mining exploration companies (note 2)	171,485	200
	384,140	231,226
	$1,331,566	$ 580,201

LIABILITIES

Current:		
Accounts payable and accrued charges	$ 56,699	$ 22,876
Shareholder's equity:		
Capital (note 3) —		
Authorized:		
4,000,000 shares without par value		
Issued for cash and fully paid:		
2,530,007 shares (1971—1,700,007 shares)	2,482,507	1,445,007
Deficit	1,207,640	887,682
	1,274,867	557,325
	$1,331,566	$ 580,201

On behalf of the Board:
J. J. RANKIN, Director
M. P. CONNELL, Director

(See accompanying notes)

AUDITORS' REPORT

To the Shareholders of
Jorex Limited:

We have examined the balance sheet of Jorex Limited as at December 31, 1972 and the statements of profit and loss and deficit, deferred exploration and development expense and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 23, 1973.

CLARKSON, GORDON & CO.,
Chartered Accountants.

STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT EXPENSE

For the Year Ended December 31, 1972

	Balance December 31, 1971	Expenditure during year	Written off or transferred in year	Balance December 31, 1972
General exploration:				
General expenses — investigation and exploration for new properties in Canada, including grubstakes		$ 70,859	$ 67,370	$ 3,489
Wabowden Area claims — Manitoba	$ 9,641			9,641
Whitesail Lake project — B.C.	32,089	27,932		60,021
Ultrabasic project — Manitoba	26,108		26,108	
Liard River project — B.C.	63,168	108,117	171,285	
Turnagain River project — B.C.	24,065	286	24,351	
Craig Prospecting Syndicate — B.C.	8,549	22		8,571
Parrott Lake project — B.C.	6,561	113	6,674	
Morice Lake Area — B.C.	7,370		7,370	
Swayze project — Ontario		13,702		13,702
Nahanni project — Y.T.		12,505		12,505
Babine project — B.C.		18,455		18,455
Redfern Lake claims — B.C.		5,263	5,263	
Shoal Lake option — Ontario		1,184	1,184	
Kirkland project — Ontario		5,524	5,524	
	177,551	263,962	315,129	126,384
Participations in syndicates:				
Jorex Syndicate — Quebec	43,950	3,000		46,950
Missi project — Saskatchewan	8,700	19,210	27,910	
Bonavista project — Newfoundland		26,102	26,102	
Sourdough project — Ontario		23,496		23,496
Boulder Syndicate — P.Q./Ontario		15,000		15,000
Sullivan project — Y.T.		19,222	19,222	
	52,650	106,030	73,234	85,446
	$ 230,201	$ 369,992	$ 388,363	$ 211,830
Written off (note 1)			$ 217,078	
Transferred to investments (note 2)			171,285	
			$ 388,363	

(See accompanying notes)

STATEMENT OF PROFIT AND LOSS AND DEFICIT

	Year ended December 31	
General and administrative expenses:	1972	1971
Accounting and office services	$ 24,000	$ 24,000
Advertising and promotion	3,830	2,523
Filing and stock exchange listing fees	895	1,080
Insurance and taxes	308	310
Legal and audit fees	13,143	5,823
Reports to shareholders and meeting	4,195	3,636
Salaries	24,000	24,000
Transfer agency expense	2,025	1,357
Other expenses	3,699	6,837
	76,095	69,566
Interest earned	33,270	15,226
	42,825	54,340
Amounts written-off:		
Exploration and development expenses (note 1)	217,078	326,833
Investment in other mining exploration companies		1
Loss for year (per share: 1972—$0.12; 1971—$0.25)	259,903	381,174
Deficit, beginning of year	887,682	506,508
	1,147,585	887,682
Expenses relating to rights offering (note 3)	60,055	
Deficit, end of year	$1,207,640	$ 887,682

(See accompanying notes)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended December 31	
Source of funds:	1972	1971
Proceeds under rights offering ($1,037,500), less related expenses of $60,055 (note 3)	$ 977,445	
Proceeds from sale of treasury shares		$ 400,000
Interest income	33,270	15,226
Reduction of investment in other mining companies		10,100
	1,010,715	425,326
Application of funds:		
Exploration and development expense	369,992	399,135
General and administrative expenses	76,095	69,566
	446,087	468,701
Increase (decrease) in working capital during the year	564,628	(43,375)
Working capital, beginning of year	326,099	369,474
Working capital, end of year	$ 890,727	$ 326,099

(See accompanying notes)

NOTES TO FINANCIAL STATEMENTS

December 31, 1972

1. It is the company's policy to write off to profit and loss in each year accumulated exploration and development expense relating to claims or projects on which the company has no present intention to incur further expenditures. The recovery of exploration and development expense deferred in the accounts at any time is contingent on the successful future development of the claims or projects concerned.

2. The investment in other mining exploration companies (the shares of which have no quoted market value) consists of the following:

		Dec. 31, 1972	Dec. 31, 1971
Mexicanus Explorations Limited —			
20,000 preferred shares and 20,000 common shares — at cost less amounts written off		$ 200	$200
Liard Fluorspar Mines Limited —			
448,605 common shares — at cost	106,248		
Advances	65,037	171,285	
		$ 171,485	$200

3. During the year, 830,000 shares of the company were issued at $1.25 per share for cash of $1,037,500 under a rights offering to shareholders. Related expenses of this issue of $60,055 have been charged against the deficit account.

4. Exploration and development expenses incurred to December 31, 1972 aggregating approximately $1,215,000 may be available under applicable provisions of the Income Tax Act (Canada) to reduce taxes on income, otherwise taxable, if earned in future years.

5. The total remuneration paid or payable to directors and senior officers of the company (as defined by The Securities Act, Ontario) with respect to the year ended December 31, 1972 was $24,000 (1971—$24,000).

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Printed in Canada.